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## THE LANDED THEORY OF PROFIT.

I have read with great attention the interesting discussion which has been carried on in this *Journal* upon the burning question of profit and capital. Having given long study to the matter, and having published upon it a work which has excited much discussion in my own country and to which Mr. Bonar called attention in the number of this *Journal* for October, 1890, I desire to say a few words upon this subject. I shall write very briefly, not because there is little to say,—far from it,—but in order not to abuse your hospitality.

Although I have a lively admiration for the distinguished talent and the dialectic power of Dr. Böhm-Bawerk, who is one of the glories of European science, I think at the same time that the method followed by this eminent writer in explaining profit cannot carry us to the bottom of the problem. Certainly, the basis of his reasoning cannot be refuted. Without doubt, when he says that present goods have a greater utility than future goods, and that no one would give goods of the first class in order to obtain an equal quantity of goods of the second, he states truisms which none would be so hardy as to deny. There is no question that he who gives present goods for future goods will decide upon this exchange only with the certainty of obtaining more goods than he gives; that is to say, of gaining profit. But the problem, in my opinion, is much deeper. What concerns us—in fact, what shocks us—is that a man should be deprived of present goods, while another has them to satiety. What we have to explain is why there are individuals who are constrained to beg for present goods from those who have an excess of them,—the reason which divides humanity into two great classes, of which the one deprived of option must labor all their lives for a meagre pittance, while the other who do nothing pocket comfortable incomes. Is this division a necessary product of human nature, or is it the result of historic factors which evolution can and will efface?

The study of this question leads me to affirm that the truth is found in the second alternative; and it is especially to re-

searches in the economic development of the United States that I owe this conviction. In fact, the study of this marvellous development has shown me that, so long as there is free land which can be cultivated without capital, profit is impossible; for there is no laborer who will work at the will of the capitalist while he can establish himself on his own account upon land without value. Under these conditions, the natural economic arrangement is the free association of the producer of capital and of the simple laborer, who work together and divide the product in equal shares. This is the arrangement which I call the mixed association, and which directly excludes profit. If in this economic phase capital desires to gain a profit at whatever cost, it can do so only by reducing the laborer to slavery, suppressing by means of violence and chains the free land to which labor owes its strength and liberty. But, when with the continual increase of population all the lands which are cultivated by labor alone are occupied, the laborer loses the option which formed his defence against the encroachments of capital. Then, truly, the laborer has no other means of living except to sell his power of labor to the capitalist for such wages as it pleases the latter to grant him. Then, truly, he is obliged to abandon to the capitalist the best part of his product, or to leave a profit to capital. Profit, then, is only the corollary of the lack of free land, which takes away from the laborer all option and establishes economic servitude.

All Americans who know the history of their enchanting land will readily recognize that it gives a striking illustration of these views. They will recall the narratives of the first epoch of the United States, which paint to us this happy country peopled by a noble class of independent laborers, totally ignorant of even the possibility of capitalistic property. They will recall the letters of Washington, which tell us of the impossibility for the farmers of obtaining any revenue from their land if they did not labor themselves with their laborers. They will no doubt repeat the words of Parkinson, of Strickland, and of all the Europeans who travelled in America in the eighteenth century, and who wondered at this strange country where money *ne faisait pas de petits*. They

will then and at the same time comprehend the historical necessity of slavery as the only means of obtaining a profit in the epoch of free land, and they will explain without difficulty the obstinacy of the Southern land-holders in defending an economic system so little productive and so troublesome for the capitalist himself.

But the landed theory of profit does not limit itself to explaining an economic system belonging to distant ages: it explains also more recent facts. Why, for example, has capital pursued, during the whole century, a series of methods, costly, annoying, and hindering production, in order to reduce the rate of wages? Was it not irrational to reduce wages by methods which reduced the product in a still greater proportion and must reduce profit? No, replies the landed theory. The land was not yet all occupied: there were still free lands, of which the cultivation, it is true, could not begin without capital, but which did not require a very considerable capital. If, then, the laborers could accumulate this capital, the possibility of removing to free land revived for them; and with it revived their option, of which cessation of profit would have been the necessary product. It was then a *conditio sine qua non* of the persistence of profit and of capitalistic economy that wages should be reduced to a minimum, which did not permit the laborers to save; and it was then only too natural that capitalists should seek every means for reducing the wages of the laborer to the bare necessities of life, although the means for this end should hinder productive forces in the most unfortunate way. It is in this way that are to be explained a whole series of capitalistic devices, such as the introduction of machines costing more than the laborers that they displace, the increase of unproductive capital engaged in banking operations, upon the exchange, and in the public debt, the excessive number of useless intermediaries, and the like. All these devices resulted in diminishing productive capital, and therefore capital spent in wages, and therefore in keeping wages at the minimum, or very near to it.

The landed theory of profit explains many other interesting facts,—such as American protectionism, the evolution of the financial system of indirect taxation instead of direct, and

others, which I must pass by with regret, but which the intelligent reader will easily find by his own observation. Many conclusions which escape us at present will be drawn from this theory, when economists shall have comprehended that the key of economic science is to be found in the analysis of landed property, and shall have consecrated to this subject the conscientious study which it deserves and for which it has waited from the time of the immortal works of Ricardo, of Wakefield, and of Von Thünen. Until then we shall have nothing but interesting scientific disquisition, which will glide with elegance over a narrow polished surface, without suspecting the existence of the mysterious depths and the vast abyss which lie beneath.

ACHILLE LORIA.

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#### THE STATICS AND THE DYNAMICS OF DISTRIBUTION.\*

I am indebted to President Walker for his candid criticism of my theory of Distribution. It is based on certain misunderstandings that can be wholly removed by a more extended statement of the theory itself. What I have not made clear to my eminent critic is the fact that the study lately published in this *Journal* was essentially limited to the statics of the subject. Dynamic influences, such as those to which he calls attention, could not be studied in the same connection without defeating the purpose of the article.

By the term "static" there were designated, in the recent paper, certain forces that do not require any change in the structure of society in order that they may operate. Society is a thing of life and growth. It is in one condition to-day, and will be in a different condition a few years hence; but through the whole series of such changes certain forces will work. If we were to stop the evolution at any point and hold society for a decade in a stationary state, these perma

\* Referring to an article on "Distribution as Determined by a Law of Rent," in the number of this *Journal* for April, 1891, which was criticised by President Francis A. Walker in the succeeding number.